

CALIFORNIA ENERGY COMMISSION

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**DATE:** February 23, 2012**SUBJECT: NOTICE OF PROPOSED EXTENSION OF OPERATIONAL LICENSE
FOR 2001 EMERGENCY PEAKER PROJECTS:**

**WILDFLOWER ENERGY – LARKSPUR (01-EP-1C),
WILDFLOWER ENERGY – INDIGO (01-EP-2C),
ALLIANCE COLTON – CENTURY (01-EP-4C),
ALLIANCE COLTON – DREWS (01-EP-5C),
CALPINE – KING CITY (01-EP-6C),
CALPINE – GILROY (01-EP-8C),
CALPEAK POWER – ENTERPRISE (01-EP-10C), AND
CALPEAK POWER – BORDER (01-EP-14C).**

Request

The eight projects listed above have requested extensions of their certifications to operate. California Energy Commission staff has completed a technical review of the eight operational emergency peaker power plant projects licensed in 2001 and have determined that the power plants are all in compliance with the Energy Commission's licenses, the adopted conditions of certification and extension criteria.

Staff is requesting that the California Energy Commission adopt an order extending the certification and license for the eight emergency peaker power plants, including: Wildflower Energy – Larkspur (01-EP-1C), Wildflower Energy – Indigo (01-EP-2C), Alliance Colton – Century (01-EP-4C), Alliance Colton – Drews (01-EP-5C), Calpine – King City (01-EP-6C), Calpine – Gilroy (01-EP-8C), Calpeak Power – Enterprise (01-EP-10C), and Calpeak Power – Border (01-EP-14C).

History

On January 17, 2001, Governor Gray Davis proclaimed a State of Emergency due to constraints on electricity supplies in California. The Governor declared that all reasonable conservation, allocation, and service restriction measures would not alleviate an energy supply emergency. As a result, the Governor issued Executive Orders D-22-01, D-24-01, D-25-01, D-26-01, and D-28-01 to expedite the permitting of peaking and renewable power plants that can be on line by September 30, 2001.

The Governor also declared that these projects are emergency projects under Public Resources Code section 21080(b)(4), and are thereby exempt from the requirements of the California Environmental Quality Act (CEQA).

Between March and June of 2011, fifteen applications under the emergency peaker provisions were submitted. Of the applications, four were withdrawn and 2 were permitted, but never built. Nine power plants were constructed and one, the Hanford Energy Park, ultimately converted to a combined cycle facility. The remaining eight emergency peaker power plant projects have been reviewed under this staff analysis.

The eight projects were built consistent with the Commission decisions and came on-line in the third or fourth quarter of 2001. These power plants have been in operation for the past ten years and are seeking to extend their certification and license.

Extension Criteria

The Energy Commission decisions for the emergency peaker projects included a provision that would allow for the certification of the projects to be extended, provided that six criteria were met for each project. The language of the six criteria vary slightly for each project, however the intent is the same. The common language of the extension criteria for all eight projects is identified below and footnoted as appropriate. These criteria generally include the following:

1. The project is permanent[ly mounted on a foundation]¹, rather than temporary or mobile in nature.
2. The project owner [has] demonstrates[d]² site control.
3. The project owner has secured any necessary permanent emission reduction credits (ERCs) or REgional CLean Air Incentives Market (RECLAIM) trading credits (RTCs) by the local Air District and/or the California Air Resources Control Board (CARB). The ERCs or RTCs must be adequate to fully offset project emissions for its projected operational hours of the project.³⁴⁵⁶⁷⁸⁹
4. The project is in current compliance with all Energy Commission permit conditions specified by the Decision.

¹ CalPeak Power - Border and Enterprise include the language ...permanently mounted on a foundation,...

² CalPeak Power – Border includes the language ...owner has demonstrated...

³ CalPeak Power – Border required emission reduction credits approved by the San Diego Air Pollution Control District and the California Air Resources Control Board.

⁴ CalPeak Power – Enterprise was not required to secure permanent emission reduction credits approved by the San Diego Air Pollution Control District and the California Air Resources Control Board.

⁵ Alliance – Century and Drews secured RECLAIM trading credits as required by the South Coast Air Quality Management District.

⁶ Calpine – Gilroy secured permanent emission reduction credits approved by the Bay Area Air Quality Management District and the California Air Resources Control Board.

⁷ Calpine – King City secured permanent emission reduction credits approved by the Monterey Bay Unified Air Pollution Control District and the California Air Resources Control Board.

⁸ Wildflower – Larkspur secured permanent emission reduction credits approved by the San Diego Air Pollution Control District and the California Air Resources Control Board.

⁹ Wildflower – Indigo secured permanent emission reduction credits approved by the South Coast Air Quality Management District and the California Air Resources Control Board

5. The project is in current compliance with all conditions contained in the Authority to Construct permit from the Air District.
6. The project meets all Best Available Control Technology (BACT) requirements under local Air District rules[, as established in the ATC permit,]¹⁰ and all CARB requirements.

Staff has completed site visits to all eight projects and have reviewed the conditions of certification. All eight projects meet the criteria to have their licenses extended for the life of the project.

Wildflower Larkspur (01-EP-1C)

On March 8, 2001, Wildflower Energy LP (applicant), filed an emergency permitting application to construct a 90 megawatt (MW) simple-cycle, natural gas-fired power plant, to be located at the corner of Harvest Road and Otay Mesa Road located in the City of San Diego, in San Diego County. The project is known as Wildflower Larkspur.

The Commission certified the Larkspur project on April 4, 2001, with a requirement that the project come on-line by September 30, 2001. In April of 2001, the project developer began site mobilization and grading for the new site and received approval from staff to begin that work. The project became operational prior to September 30, 2001.

The Larkspur facility has contracts with Shell Energy of North America and Shell Energy of North America has a Power Purchase Agreement with Department of Water Resources (DWR). Shell's contract with DWR is in effect until June 30, 2012. This facility is currently operational.

In June of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. In October of 2011, the Larkspur operator provided several packets of information to verify that their power plant is in compliance with the conditions of certification and extension criteria. Staff conducted a site visit on August 26, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Wildflower Indigo (01-EP-2C)

On March 8, 2001, Wildflower Energy LP (Applicant), filed an emergency permitting application to construct a 135 MW simple-cycle, natural gas-fired power plant, to be located at a 10 acre site approximately in the City of Palm Springs in Riverside County. The project is known as Wildflower Indigo.

¹⁰ CalPeak Power – Border and Enterprise and Calpine - Gilroy and King City included the language ... as established in the ATC permit...(Authority to Construct)

The Commission certified the Indigo project on April 4, 2001, with a requirement that the project come on-line by September 30, 2001. In April of 2001, the applicant began site mobilization and grading for the new site and received approval from staff to begin that work. The project became operational prior to September 30, 2001.

The Indigo Facility has contracts with Shell Energy of North America and Shell Energy of North America has a Power Purchase Agreement with DWR. Shell's contract with DWR is in effect until June 30, 2012. This facility is currently operational.

In June of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. In October of 2011, the Indigo operator provided several packets of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. Staff conducted a site visit on August 18, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Alliance Century (01-EP-4C)

On March 21, 2001, Alliance Colton, LLC (applicant), filed an emergency permitting application for a nominally rated 40 MW simple-cycle, natural gas-fired power plant located at 661 South Cooley Drive, in the City of Colton, in San Bernardino County. This project is known as Alliance Century.

The Commission certified the Alliance Century project on April 25, 2001, with a requirement that the project come on-line by September 30, 2001. Construction was initiated in May of 2001, and the project became operational in September 2001.

The original Power Purchase Agreement (PPA) with DWR ended on October 31, 2010. For the three years preceding the end of the PPA, the owners bid into the Southern California Edison and San Diego Gas & Electric's All Source Request for Offers, but were unsuccessful in obtaining a replacement contract. In 2011, owners decided to take the plant out of service and have modified their air permits to non-operational status in hopes of a stronger market. A Resource Adequacy Agreement was recently signed for a 1-year term to begin in January 2012. The applicant recently applied to the Air District to modify permits to operational status and will need Air District approval prior to operating. This facility is currently non operational.

In November of 2010, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. On November 29, 2010, the Alliance Century operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. Additional information was provided on August 12, 2011. Staff conducted a site visit on August 17, 2011, to verify the existing facilities were permanent and visually inspected the condition

of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Alliance Drews (01-EP-5C)

On March 21, 2001, Alliance Colton, LLC (applicant), filed an emergency permitting application for a nominally rated 40 MW simple-cycle, natural gas-fired power plant located at 559 South Pepper Road, in the City of Colton, in San Bernardino County. This project is known as Alliance Drews.

The Commission certified the Alliance Drews project on April 25, 2001, with a requirement that the project come on-line by September 30, 2001. Construction was initiated in May of 2001, and the project became operational in September 2001.

The original Power Purchase Agreement (PPA) with DWR ended on October 31, 2010. For the three years preceding the end of the PPA terms, the owners bid into the Southern California Edison and San Diego Gas & Electric's All Source Request for Offers, but were unsuccessful in obtaining a replacement contract. In 2011, owners decided to take the plant out of service and have modified their air permits to non-operational status in hopes of a stronger market. A Resource Adequacy Agreement was recently signed for a 1-year term to begin in January 2012. The applicant also just applied to the Air District to modify permits to operational status and will need Air District approval prior to operating. This facility is currently non operational.

In November of 2010, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. On November 29, 2010, the Alliance Drews operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. Additional information was provided on August 12, 2011. Staff conducted a site visit on August 17, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Calpine – King City (01-EP-6C)

On April 5, 2001, the Calpine Corporation (applicant or Calpine) filed an emergency permitting application to construct a 50 MW natural-gas fired simple-cycle peaking facility on approximately 6.7 acres at 750 Metz Road, King City, California. The project is known as Calpine King City.

The Commission certified the Calpine King City project on May 2, 2001, with a requirement that the project come on-line by September 30, 2001. On June 25, 2001, the Commission authorized Calpine to relocate the project to an adjacent parcel. On July 18, 2001, Calpine begin site mobilization and grading for the new site and received approval from staff to begin that work. In September 2001 the Commission extended the operational start date to December 21, 2001.

The power purchase agreement between DWR and the King City power plant was transferred to PG&E on September 22, 2010. The King City contract with PG&E will expire December 31, 2017. This facility is currently operational.

On August 26, 2010, the King City operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. In June of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. Staff conducted a site visit on September 1, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Calpine Gilroy (01-EP-8C)

On April 26, 2001, the Calpine Corporation (applicant) filed an emergency permitting application to construct a 135 MW natural-gas fired simple-cycle peaking facility on approximately 7 acres at 1350 Pacheco Pass Highway, Gilroy, California. The project is known as Calpine Gilroy.

The Commission certified the Calpine Gilroy project on May 21, 2001, with a requirement that the project come on-line by September 30, 2001. Construction was initiated in June of 2001. In September 2001, the Commission extended the operational start date to November 30, 2001, because of unforeseen construction delays.

The power purchase agreement between DWR and the Gilroy power plant was transferred to PG&E on September 22, 2010. The Gilroy contract with PG&E will expire on December 31, 2021. This facility is currently operational.

On August 26, 2010, the Gilroy operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. In June of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. Staff conducted a site visit on September 1, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

CalPeak Power – Enterprise (01-EP-10C)

On May 8, 2001, CalPeak Power, LLC (applicant or CalPeak) filed an emergency permitting application for a 49.5 MW simple cycle, natural gas-fired electricity generating facility that is on approximately 2.95 acres located at the southern end of North Enterprise Street in the City of Escondido, in San Diego County, California. The project is known as CalPeak Enterprise.

The Commission certified the Enterprise project on June 6, 2001, with a requirement that the project come on-line by September 30, 2001. Construction was initiated in June of 2001, and the project became operational in September 2001.

The power purchase agreement with DWR expired on December 24, 2011. A Resource Adequacy Agreement was recently signed for a 1-year term for 2012 with Shell Energy of North America. A Resource Adequacy Agreement with San Diego Gas & Electric is anticipated to be signed shortly for a 4-year term for 2013-2016. This facility is currently operational.

In April of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. On May 5, 2011, the CalPeak Enterprise operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. The applicant provided follow up information on May 19 and May 20, 2011. Staff reviewed the information provided and the applicant provided additional information on August 16, 2011. Staff conducted a site visit on August 23, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

CalPeak Power – Border (01-EP-14C)

On June 14, 2001, CalPeak Power-Border, LLC (CalPeak) filed an emergency permitting application for a 49.5 MW simple cycle, natural gas-fired power electricity generating facility that is located in a 5.6-acre parcel within an industrial development area of the Otay Mesa section of the City of San Diego. The project is known as CalPeak Border.

The Commission certified the Border project on July 11, 2001, with a requirement that the project come on-line by September 30, 2001. Construction was initiated on July 28, 2001. CalPeak filed an amendment on September 25, 2001, to extend the on-line date for the CalPeak Border project beyond the September 30, 2001 deadline specified in the Commission's Decision (01-EP-14). CalPeak received an extension of the online date to November 7, 2001.

The power purchase agreement with DWR expired on December 23, 2011. A Resource Adequacy Agreement was recently signed for a 1-year term for 2012 with Shell Energy of North America. A Resource Adequacy Agreement with San Diego Gas & Electric is anticipated to be signed shortly for a 4-year term for 2013-2016. This facility is currently operational.

In April of 2011, staff began working with the applicant to verify the facility was operating consistent with the conditions of certification and that the license could be extended if certain provisions were met. On May 5, 2011, the CalPeak Border operator provided a packet of information to verify that their power plant was in compliance with the conditions of certification and extension criteria. Staff reviewed the information provided

and the applicant provided additional information on August 16, 2011. Staff conducted a site visit on August 23, 2011, to verify the existing facilities were permanent and visually inspected the condition of the facilities. Staff has been able to confirm that the six extension criteria have been satisfied and are current.

Energy Commission Staff's Determination

Staff has spent the past months working with the eight emergency peaker project operators to verify that the power plants are being operated in compliance with the conditions of certification and confirm that the six extension criteria have been satisfied and are current. Staff conducted site visits to each facility to visually verify that the projects were constructed consistent with the conditions of certification and are operating consistent with the approved certification.

There are no known violations and staff has no outstanding concerns with the eight emergency peaker projects. Based upon staff review of the projects, staff is requesting that the Energy Commission adopt an order to extend the certification of these eight projects until they cease operation and commence permanent closure activities. The projects would be required to continue to operate consistent with the conditions of certification.